

WEST BRANCH COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

JUNE 30, 2010

WEST BRANCH COMMUNITY SCHOOL DISTRICT
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WEST BRANCH COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2009 Election)		
Mike Owen	Board President	2009
Kathy Knoop	Board Member	2009
Carolyn Harold	Board Member	2009
Marty Jacobson	Board Member	2011
Richard Paulus	Board Member	2011
(After September 2009 Election)		
Mike Owen	Board President	2013
Kathy Knoop	Board Member	2011
Deb Schreiber	Board Member	2011
Richard Paulus	Board Member	2011
Carolyn Harold	Board Member	2013
School Officials		
Craig Artist	Superintendent	2010
Angie Walter	District Secretary/Treasurer	Indefinite
C. Joseph Holland	Attorney	Indefinite

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive Suite 3

Muscatine, Iowa 52761

563-264-1385

Independent Auditor's Report

To the Board of Education
West Branch Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of West Branch Community School District, West Branch, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of West Branch Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 4, 2011 on my consideration of West Branch Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Branch Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 4 and Schedule 6 the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the seven years in the period ended June 30, 2010, appearing in Schedule 5, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.



Kay L. Chapman, CPA PC
February 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Branch Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,950,064 in fiscal 2009 to \$7,171,229 in fiscal 2010, and General Fund expenditures increased from \$7,133,118 in fiscal 2009 to \$7,349,410 in fiscal 2010. The District's General Fund balance decreased from \$1,078,416 in fiscal 2009 to \$902,319 in fiscal 2010, a 16% decrease.
- The increase in General Fund Revenues was attributable to an increase in enrollment, Medicaid reimbursement and Special Ed Part B funding from federal dollars as well as ARRA funding. The increase in General Expenditures was primarily due to increases in salary and benefits, increased special education costs and increased utility costs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Branch Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Branch Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Branch Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and changes in fiduciary net assets. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

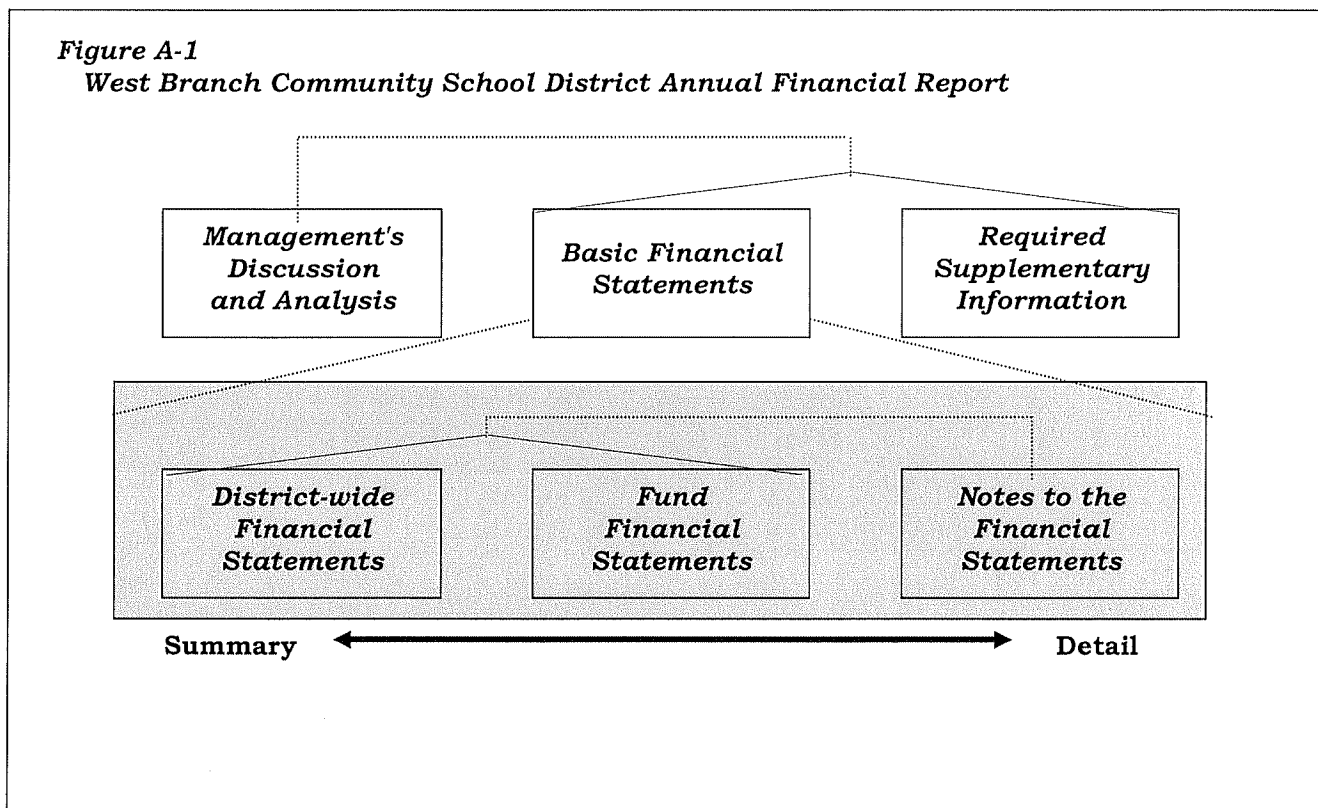


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as student assistance programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects, Debt Service and Special Revenue Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary fund:* Services for which the District charges a fee are generally reported in a proprietary fund. The proprietary fund is reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, are the same as its business type activity, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary fund include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of an Agency Fund.

- Agency Fund – This is a fund through which the District administers and accounts for a student assistance program.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary fund include a statement of fiduciary net assets. A statement of changes in fiduciary net assets is included as supplementary information.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Current and other assets	\$ 10,227,037	\$ 7,831,221	\$46,629	\$ 11,000	\$ 10,273,666	\$ 7,842,221	31.00%
Capital assets	<u>6,390,886</u>	<u>5,384,162</u>	<u>10,972</u>	<u>17,249</u>	<u>6,401,858</u>	<u>5,401,411</u>	18.52%
Total assets	<u>16,617,923</u>	<u>13,215,383</u>	<u>57,601</u>	<u>28,249</u>	<u>16,675,524</u>	<u>13,243,632</u>	25.91%
Long-term liabilities	6,114,643	3,090,611	-	-	6,114,643	3,090,611	97.85%
Other liabilities	<u>3,682,563</u>	<u>3,555,593</u>	-	<u>2,367</u>	<u>3,682,563</u>	<u>3,557,960</u>	3.50%
Total liabilities	<u>9,797,206</u>	<u>6,646,204</u>	-	<u>2,367</u>	<u>9,797,206</u>	<u>6,648,571</u>	47.36%
Net assets							
Invested in capital assets,							
net of related debt	3,635,886	2,324,162	10,972	17,249	3,646,858	2,341,411	55.75%
Restricted	2,260,472	2,842,749	-	-	2,260,472	2,842,749	-20.48%
Unrestricted	<u>924,359</u>	<u>1,402,268</u>	<u>46,629</u>	<u>8,633</u>	<u>970,988</u>	<u>1,410,901</u>	-31.18%
Total net assets	<u>\$ 6,820,717</u>	<u>\$ 6,569,179</u>	<u>\$57,601</u>	<u>\$ 25,882</u>	<u>\$ 6,878,318</u>	<u>\$ 6,595,061</u>	4.29%

The District's combined net assets increased by approximately 4%, or \$283,257, over the prior year. The largest portion of the District's net assets is the restricted net assets. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$582,277, or approximately 20% from the prior year. The decrease was primarily a result of a decrease in the Capital Projects Fund due to the issuance of general obligation bonds. The increase in the General Fund was due to new coding requirements by the Department of Education regarding categorical funding.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$439,913, or approximately 31%. This reduction was primarily a result of the decrease in General Fund unrestricted net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Revenues							
Program revenues							
Charges for service	\$ 712,410	\$ 808,362	\$ 249,190	\$ 254,152	\$ 961,600	\$ 1,062,514	-9.50%
Operating grants	1,498,277	1,098,717	126,353	99,257	1,624,630	1,197,974	35.61%
General revenues							
Property tax	3,960,735	3,778,241	-	-	3,960,735	3,778,241	4.83%
Statewide sales, services and use tax	503,281	531,168	-	-	503,281	531,168	-5.25%
Unrestricted state grants	2,322,193	2,776,164	-	-	2,322,193	2,776,164	-16.35%
Contributions and donations	54,507	40,070	-	-	54,507	40,070	36.03%
Unrestricted investment earnings	15,346	130,498	10	334	15,356	130,832	-88.26%
Other	46,343	15,061	-	-	46,343	15,061	207.70%
Total revenues	<u>9,113,092</u>	<u>9,178,281</u>	<u>375,553</u>	<u>353,743</u>	<u>9,488,645</u>	<u>9,532,024</u>	-0.46%
Program expenses							
Governmental activities							
Instruction	5,475,940	5,482,376	-	-	5,475,940	5,482,376	-0.12%
Support services	2,425,042	2,225,592	-	-	2,425,042	2,225,592	8.96%
Non-instructional programs	1,000	2,343	343,834	333,655	344,834	335,998	2.63%
Other expenses	<u>959,572</u>	<u>842,287</u>	<u>-</u>	<u>-</u>	<u>959,572</u>	<u>842,287</u>	13.92%
Total expenses	<u>8,861,554</u>	<u>8,552,598</u>	<u>343,834</u>	<u>333,655</u>	<u>9,205,388</u>	<u>8,886,253</u>	3.59%
Change in net assets	251,538	625,683	31,719	20,088	283,257	645,771	-56.14%
Net assets, beginning of year	<u>6,569,179</u>	<u>5,943,496</u>	<u>25,882</u>	<u>5,794</u>	<u>6,595,061</u>	<u>5,949,290</u>	10.85%
Net assets, end of year	<u>\$ 6,820,717</u>	<u>\$ 6,569,179</u>	<u>\$ 57,601</u>	<u>\$ 25,882</u>	<u>\$ 6,878,318</u>	<u>\$ 6,595,061</u>	4.29%

In fiscal 2010, property tax and unrestricted state grants account for 69% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$9,488,645 of which \$9,113,092 was for governmental activities and \$375,553 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a less than 1% decrease in revenues and a 4% increase in expenses. Revenues decreased due to a cut from the state in the General fund. The increases in expenses related to increases in the negotiated salary and benefits as well as increases due to inflation.

Governmental Activities

Revenues for governmental activities were \$9,113,092 and expenses were \$8,861,554 for the year ended June 30, 2010. In a difficult budget year, the District was able to balance the budget by keeping the increase in expenditures less than the increase in revenue.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 5,475,940	\$ 5,482,376	-0.1%	\$ 3,610,531	\$ 3,879,526	-6.9%
Support services	2,425,042	2,225,592	9.0%	2,414,212	2,214,029	9.0%
Non-instructional programs	1,000	2,343	-57.3%	(23,450)	(21,371)	-9.7%
Other expenses	<u>959,572</u>	<u>842,287</u>	13.9%	<u>649,574</u>	<u>573,335</u>	13.3%
Total expenses	<u>\$ 8,861,554</u>	<u>\$ 8,552,598</u>	3.6%	<u>\$ 6,650,867</u>	<u>\$ 6,645,519</u>	0.1%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$712,410.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,498,277.
- The net cost of governmental activities was financed with \$4,464,016, in property and other taxes and \$2,322,193 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$375,553 representing a 6% increase over the prior year while expenses totaled \$343,834, a 3% increase over the prior year. The District's business type activities

include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District was able to continue to increase the Nutrition Fund balance for the year. This was accomplished by a combination of factors. Free and reduced lunch percentage went up and a concerted effort was made to track food costs to ensure that weekly meal costs were not higher than the revenue. Commodities were also used more efficiently during the year to help curb costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Branch Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,934,129 more than last year's ending fund balances of \$3,751,163. The primary reason for the increase in combined fund balances in fiscal 2010 is due to an increase in the Capital Projects. The District sold Sales Tax Revenue Bonds during the year. This accounts for a majority of the increase.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,078,416 to \$902,319. This was largely due to the across the board cut from the state.
- The Physical Plant and Equipment Levy Fund balance increased from \$385,171 in 2009 to \$466,940 in 2010, primarily due to the timing of projects. The District did not complete any major projects funded by the PPEL Fund during the year due to the large bond project that was being completed.
- The Capital Projects Fund balance increased from \$1,871,054 in 2009 to \$4,151,329 in 2010, primarily due to the District receiving the sales tax revenue bond proceeds during the year for the gym/weight room project but the project will not be completed until the 2011-12 year.

Proprietary Fund Highlights

Enterprise fund net assets increased from \$25,882 at June 30, 2009 to \$57,601 at June 30, 2010, representing an increase of approximately 123%. Free and reduced lunch percentages went up significantly as well as the District making a concerted effort to hold down costs whenever possible and to increase participation.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year ended June 30, 2010.

The District's revenues were \$217 less than budgeted revenues, a variance of less than 1%.

Total expenditures were \$2,244,019 less than budgeted, due primarily to It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund

spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$6,401,858, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 19% over the prior year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$252,734.

The original cost of the District's capital assets was \$11,321,434. Governmental funds account for \$11,253,913, with the remainder of \$67,521 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings and improvements category. The District's buildings and improvements totaled \$5,352,480 at June 30, 2010 compared to \$4,366,420 at June 30, 2009. This increase resulted from improvements HVAC system, installation of geothermal system and remodeling at the buildings.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 116,055	\$ 116,055	\$ -	\$ -	\$ 116,055	\$ 116,055	0.00%
Buildings and improvements	5,352,480	4,366,420	-	-	5,352,480	4,366,420	22.58%
Improvements, other than buildings	515,400	553,913	-	-	515,400	553,913	-6.95%
Furniture and equipment	<u>406,951</u>	<u>347,774</u>	<u>10,972</u>	<u>17,249</u>	<u>417,923</u>	<u>365,023</u>	14.49%
Totals	<u>\$6,390,886</u>	<u>\$5,384,162</u>	<u>\$10,972</u>	<u>\$17,249</u>	<u>\$6,401,858</u>	<u>\$5,401,411</u>	18.52%

Long-Term Debt

At June 30, 2010, the District had \$6,114,643 in total long-term debt outstanding. This represents an increase of approximately 98% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$13 million.

In June 2010 the District issued \$3,255,000 of revenue bonds for the construction of a weight room and practice gym.

Figure A-7

	Outstanding Long-term Obligations		
	Total	Total	
	District	Change	
	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
General obligation bonds	\$ 2,755,000	\$3,060,000	-10.13%
Revenue bonds	3,255,000	-	100.00%
Early retirement	32,571	-	100.00%
Compensated absences	30,844	30,611	0.76%
Net OPEB liability	<u>41,228</u>	<u>-</u>	100.00%
Total	<u>\$ 6,114,643</u>	<u>\$3,090,611</u>	97.68%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Enrollment increased by 15 students in the fall of 2009 and again in the fall of 2010. This will result in the District receiving more new money for the 2010-11 school year and at least more spending authority in the 2011-12 year. The District has had an increase in enrollment for three consecutive years.
- The Community approved the PPEL levy for another 10 years in September of 2010. This will ensure that the district will have funds available for building and infrastructure needs as well as technology for the next 10 years at least.
- The District sold Sales Tax Revenue Bonds in the 2009-10 school year. These funds will be used to build a new gymnasium and weight room at the high school along with some remodeling projects. This could draw more families to bring their children to West Branch Schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Walter, Business Manager/Board Secretary/Treasurer, West Branch Community School District, 801 W Main Street, West Branch, IA 52358.

Basic Financial Statements

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents			
Cash with fiscal agent	\$ 256,002	\$ -	\$ 256,002
Other	5,491,631	42,009	5,533,640
Receivables			
Property tax			
Delinquent	47,619	-	47,619
Succeeding year	3,550,625	-	3,550,625
Accounts receivable	1,314	741	2,055
Income surtax	553,403	-	553,403
Due from other governments	326,443	2,538	328,981
Inventories	-	1,341	1,341
Non-depreciable capital assets	116,055	-	116,055
Capital assets, net of accumulated depreciation	6,274,831	10,972	6,285,803
Total assets	<u>16,617,923</u>	<u>57,601</u>	<u>16,675,524</u>
Liabilities			
Accounts payable	111,297	-	111,297
Salaries and benefits payable	882	-	882
Accrued interest payable	19,759	-	19,759
Deferred revenue			
Succeeding year property tax	3,550,625	-	3,550,625
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	310,000	-	310,000
Early retirement payable	32,571	-	32,571
Portion due after one year			
General obligation bonds payable	2,445,000	-	2,445,000
Revenue bonds payable	3,255,000	-	3,255,000
Compensated absences	30,844	-	30,844
Net OPEB liability	41,228	-	41,228
Total liabilities	<u>9,797,206</u>	<u>-</u>	<u>9,797,206</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

Exhibit A

	Governmental Activities	Business Type Activities	Total
Net Assets			
Invested in capital assets	\$ 3,635,886	\$ 10,972	\$3,646,858
Restricted for			
Categorical funding	280,575	-	280,575
Management levy	206,659	-	206,659
Physical plant and equipment levy	722,357	-	722,357
Debt service	27,639	-	27,639
Other special revenue purposes	126,913	-	126,913
Capital projects	896,329	-	896,329
Unrestricted	924,359	46,629	970,988
Total net assets	<u>\$ 6,820,717</u>	<u>\$ 57,601</u>	<u>\$6,878,318</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2010

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u> <u>Total</u>
<u>Functions/Programs</u>						
Governmental activities						
Instruction						
Regular instruction	\$ 3,535,210	\$ 643,372	\$ 534,869	\$ -	\$ (2,356,969)	\$ (2,356,969)
Special instruction	842,715	33,758	534,805	-	(274,152)	(274,152)
Other instruction	1,098,015	-	118,605	-	(979,410)	(979,410)
	5,475,940	677,130	1,188,279	-	(3,610,531)	(3,610,531)
Support services						
Student	236,864	-	-	-	(236,864)	(236,864)
Instructional staff	184,652	-	-	-	(184,652)	(184,652)
Administration	941,194	-	-	-	(941,194)	(941,194)
Operation and maintenance of plant	740,905	10,830	-	-	(730,075)	(730,075)
Transportation	321,427	-	-	-	(321,427)	(321,427)
	2,425,042	10,830	-	-	(2,414,212)	(2,414,212)
	1,000	24,450	-	-	23,450	23,450
Non-instructional programs						
Other expenses						
Facilities acquisition	312,733	-	-	-	(312,733)	(312,733)
Long-term debt interest	178,491	-	-	-	(178,491)	(178,491)
AEA flowthrough	309,998	-	309,998	-	-	-
Loss on disposal of capital assets	35,027	-	-	-	(35,027)	(35,027)
Depreciation (unallocated) *	123,323	-	-	-	(123,323)	(123,323)
	959,572	-	309,998	-	(649,574)	(649,574)
	8,861,554	712,410	1,498,277	-	(6,650,867)	(6,650,867)
Total governmental activities						

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2010

Exhibit B

Functions/Programs (continued)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Business type activities						
Non-instructional programs						
Food service operations	\$ 343,834	\$ 249,190	\$ 126,353	\$ -	\$ -	\$ 31,709
Total	<u>\$ 9,205,388</u>	<u>\$ 961,600</u>	<u>\$ 1,624,630</u>	<u>\$ -</u>	<u>\$ (6,650,867)</u>	<u>\$ 31,709</u>

General Revenues

Property tax levied for						
General purposes					3,114,905	-
Debt service					412,359	-
Capital outlay					433,471	-
Statwide sales, services and use tax					503,281	-
Unrestricted state grants					2,322,193	-
Contributions and donations					54,507	-
Unrestricted investment earnings					15,346	10
Other					46,343	-
Total general revenues					<u>6,902,405</u>	<u>10</u>
Change in net assets					251,538	31,719
Net assets, beginning of year					6,569,179	25,882
Net assets, end of year					<u>\$ 6,820,717</u>	<u>\$ 57,601</u>
						<u>\$ 6,878,318</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments					
Cash with fiscal agent	\$ -	\$ 256,002	\$ -	\$ -	\$ 256,002
Other	894,071	3,718,701	467,560	411,299	5,491,631
Receivables					
Property tax					
Delinquent	37,919	-	2,380	7,320	47,619
Succeeding year	2,778,520	-	227,950	544,155	3,550,625
Accounts receivable	270	-	-	1,044	1,314
Income surtax	297,986	-	255,417	-	553,403
Due from other governments	141,642	184,801	-	-	326,443
Total assets	<u>\$ 4,150,408</u>	<u>\$ 4,159,504</u>	<u>\$ 953,307</u>	<u>\$ 963,818</u>	<u>\$ 10,227,037</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 94,000	\$ 8,175	\$ 3,000	\$ 6,122	\$ 111,297
Employee benefits payable	882	-	-	-	882
Deferred revenue					
Succeeding year property tax	2,778,520	-	227,950	544,155	3,550,625
Income surtax	297,986	-	255,417	-	553,403
Federal programs	76,701	-	-	-	76,701
Total liabilities	<u>3,248,089</u>	<u>8,175</u>	<u>486,367</u>	<u>550,277</u>	<u>4,292,908</u>
Fund balances					
Reserved for					
Debt service	-	-	-	47,398	47,398
Categorical funding	280,575	-	-	-	280,575
Unreserved, governmental funds	621,744	4,151,329	-	-	4,773,073
Unreserved, special revenue funds	-	-	466,940	366,143	833,083
Total fund balances	<u>902,319</u>	<u>4,151,329</u>	<u>466,940</u>	<u>413,541</u>	<u>5,934,129</u>
Total liabilities and fund balances	<u>\$ 4,150,408</u>	<u>\$ 4,159,504</u>	<u>\$ 953,307</u>	<u>\$ 963,818</u>	<u>\$ 10,227,037</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2010

Exhibit D

Total fund balances of governmental funds	\$5,934,129
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,390,886
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	630,104
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(19,759)
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Long-term liabilities, including bonds payable, early retirement benefits payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,114,643)</u>
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Net assets of governmental activities	<u>\$6,820,717</u>
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WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

Exhibit E

			Special Revenue		
			Physical		
			Plant and	Nonmajor	
			Equipment	Governmental	
Revenues	<u>General</u>	<u>Capital</u>	<u>Levy</u>	<u>Funds</u>	<u>Total</u>
Local sources					
Local tax	\$ 2,935,442	\$ 503,281	\$ 412,583	\$ 547,075	\$ 4,398,381
Tuition	311,607	-	-	-	311,607
Other	135,042	11,403	-	356,770	503,215
State sources	3,165,262	-	71	220	3,165,553
Federal sources	623,876	-	-	-	623,876
Total revenues	<u>7,171,229</u>	<u>514,684</u>	<u>412,654</u>	<u>904,065</u>	<u>9,002,632</u>
Expenditures					
Current					
Instruction					
Regular	3,201,004	153,586	9,291	99,098	3,462,979
Special	838,044	-	-	-	838,044
Other	768,080	-	-	323,630	1,091,710
	<u>4,807,128</u>	<u>153,586</u>	<u>9,291</u>	<u>422,728</u>	<u>5,392,733</u>
Support services					
Student	230,941	6,124	-	-	237,065
Instructional staff	176,563	-	-	-	176,563
Administration	935,060	-	-	4,000	939,060
Operation and maintenance					
of plant	613,707	-	-	55,834	669,541
Transportation	276,013	-	139,695	12,841	428,549
	<u>2,232,284</u>	<u>6,124</u>	<u>139,695</u>	<u>72,675</u>	<u>2,450,778</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Other expenditures					
Facilities acquisition	-	1,279,347	181,899	-	1,461,246
Long-term debt					
Principal	-	-	-	305,000	305,000
Interest and fiscal charges	-	59,752	-	107,942	167,694
AEA flowthrough	309,998	-	-	-	309,998
	<u>309,998</u>	<u>1,339,099</u>	<u>181,899</u>	<u>412,942</u>	<u>2,243,938</u>
Total expenditures	<u>7,349,410</u>	<u>1,498,809</u>	<u>330,885</u>	<u>909,345</u>	<u>10,088,449</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Exhibit E

For the Year Ended June 30, 2010

			Special Revenue		
			Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	General	Capital Projects			
Excess (deficiency) of revenues over (under) expenditures	\$ (178,181)	\$ (984,125)	\$ 81,769	\$ (5,280)	\$(1,085,817)
Other financing sources					
Proceeds from issuance of bonds	-	3,255,000	-	-	3,255,000
Premium on bonds	-	9,400	-	-	9,400
Interest on bonds	-	-	-	2,299	2,299
Sale of equipment and materials	2,084	-	-	-	2,084
Total other financing sources	<u>2,084</u>	<u>3,264,400</u>	<u>-</u>	<u>2,299</u>	<u>3,268,783</u>
Net change in fund balances	(176,097)	2,280,275	81,769	(2,981)	2,182,966
Fund balance, beginning of year	<u>1,078,416</u>	<u>1,871,054</u>	<u>385,171</u>	<u>416,522</u>	<u>3,751,163</u>
Fund balance, end of year	<u>\$ 902,319</u>	<u>\$4,151,329</u>	<u>\$ 466,940</u>	<u>\$ 413,541</u>	<u>\$ 5,934,129</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Exhibit F

Net change in fund balances - total governmental funds \$2,182,966

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 1,288,208	
Loss on sale of capital assets	(35,027)	
Depreciation expense	<u>(246,457)</u>	1,006,724

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 96,677

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	\$(3,255,000)	
Repaid	<u>305,000</u>	(2,950,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	\$ (32,571)	
Compensated absences	(233)	
Other postemployment benefits	<u>(41,228)</u>	(74,032)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (10,797)

Change in net assets of governmental activities \$ 251,538

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2010

Exhibit G

	Nonmajor <u>Enterprise</u> School <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$42,009
Accounts receivable	741
Due from other governments	2,538
Inventories	1,341
Capital assets, net of accumulated depreciation	<u>10,972</u>
Total assets	<u>57,601</u>
Liabilities	<u>-</u>
Net Assets	
Invested in capital assets	10,972
Unrestricted	<u>46,629</u>
Total net assets	<u>\$57,601</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

Exhibit H

	<u>Nonmajor Enterprise School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$249,190</u>
Operating expenses	
Support services	
Instructional staff	
Purchased services	<u>150</u>
Operation and maintenance of plant	
Supplies	<u>6,290</u>
Non-instructional programs	
Food service operations	
Salaries	100,011
Benefits	44,011
Purchased services	1,297
Supplies	185,798
Depreciation	<u>6,277</u>
	<u>337,394</u>
Total operating expenses	<u>343,834</u>
Operating loss	<u>(94,644)</u>
Non-operating revenues	
Interest income	10
State sources	3,338
Federal sources	<u>123,015</u>
Total non-operating revenues	<u>126,363</u>
Net income	31,719
Net assets, beginning of year	<u>25,882</u>
Net assets, end of year	<u>\$ 57,601</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2010

Exhibit I

	Nonmajor Enterprise School Nutrition
Cash flows from operating activities	
Cash received from sale of services	\$ 249,220
Cash payments to employees for services	(144,022)
Cash payments to suppliers for goods and services	(168,511)
Net cash used in operating activities	<u>(63,313)</u>
Cash flows from non-capital financing activities	
State grants received	3,338
Federal grants received	95,138
Net cash provided by non-capital financing activities	<u>98,476</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>10</u>
Net increase in cash and cash equivalents	35,173
Cash and cash equivalents, beginning of year	6,836
Cash and cash equivalents, end of year	<u><u>\$ 42,009</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (94,644)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,277
Commodities used	26,536
Decrease in accounts receivable	30
Decrease in inventory	855
(Decrease) in accounts payable	(2,367)
Net cash used in operating activities	<u><u>\$ (63,313)</u></u>

Non-cash investing, capital and related financing activities

During the year ended June 30, 2010, the District received \$26,536 of federal commodities.

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2010

Exhibit J

	<u>Agency</u>
Assets	
Cash and pooled investments	\$3,250
Liabilities	
Due to others	<u>3,250</u>
Net assets	<u>\$ -</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

Note 1. Summary of Significant Accounting Policies

The West Branch Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of West Branch, Iowa, and the agricultural territory in Cedar and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Branch Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The West Branch Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. The District does not have any debt related to capital assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for all resources from the regular and voter-approved levy used for major expenditures related to real property and equipment.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports no major proprietary funds; however, it reports one non-major proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations. The District's Agency Fund is used to account for activity of a student assistance program.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, compensated absences, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	4-20 years

Salaries and Benefits Payable - Teacher contracts and payroll for hourly employees are paid at June 30, 2010; however, the benefits on these payments are not paid until July. Therefore, these benefits have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental

fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds as well as property tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Early Retirement Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2010. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Compensated Absences - Certain District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$929,016 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,057,635 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 116,055	\$ -	\$ -	\$ 116,055
Capital assets being depreciated:				
Buildings and improvements	7,539,641	1,148,513	-	8,688,154
Improvements other than buildings	1,081,833	-	-	1,081,833
Furniture and equipment	1,390,816	139,695	(162,640)	1,367,871
Total capital assets being depreciated	10,012,290	1,288,208	(162,640)	11,137,858

Less accumulated depreciation for:

Buildings and improvements	3,173,221	162,453	-	3,335,674
Improvements other than buildings	527,920	38,513	-	566,433
Furniture and equipment	<u>1,043,042</u>	<u>45,491</u>	<u>(127,613)</u>	<u>960,920</u>
Total accumulated depreciation	<u>4,744,183</u>	<u>246,457</u>	<u>(127,613)</u>	<u>4,863,027</u>
Total capital assets being depreciated, net	<u>5,268,107</u>	<u>1,041,751</u>	<u>(35,027)</u>	<u>6,274,831</u>
Governmental activities capital assets, net	<u>\$ 5,384,162</u>	<u>\$ 1,041,751</u>	<u>\$(35,027)</u>	<u>\$ 6,390,886</u>

Business type activities

Furniture and equipment	\$ 67,521	\$ -	\$ -	\$ 67,521
Less accumulated depreciation	<u>50,272</u>	<u>6,277</u>	<u>-</u>	<u>56,549</u>
Business type activities capital assets, net	<u>\$ 17,249</u>	<u>\$ (6,277)</u>	<u>\$ -</u>	<u>\$ 10,972</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction

Regular \$ 20,358

Other 220

Support services

Instructional staff 5,228

Administration 1,669

Operation and maintenance of plant 66,943

Transportation 28,716

123,134

Unallocated depreciation 123,323

Total governmental activities depreciation expense \$ 246,457

Business type activities

Food services \$ 6,277

Note 4. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 3,060,000	\$ -	\$(305,000)	\$ 2,755,000	\$ 310,000
Revenue bonds	-	3,255,000	-	3,255,000	-
Early retirement	-	32,571	-	32,571	32,571
Compensated absences	30,611	27,808	(27,575)	30,844	-
Net OPEB liability	-	41,228	-	41,228	-
Totals	<u>\$ 3,090,611</u>	<u>\$ 3,356,607</u>	<u>\$(332,575)</u>	<u>\$ 6,114,643</u>	<u>\$ 342,571</u>

Interest costs incurred and charged to expense on all long-term debt was \$178,491 for the year ended June 30, 2010. During the year ended June 30, 2010, the District made principal payments on long-term debt of \$305,000.

Early Retirement Termination Benefits

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. This voluntary early retirement plan is offered annually at the board's discretion. Eligible employees must be at least age fifty-five and have completed fourteen years of consecutive service to the District. Employees must complete an application, which is required to be approved by the Board of Education.

All employees who apply and are approved will receive a 50% benefit based upon certain criteria. For a teacher, the benefit is based upon the Schedule A salary, longevity and extended contract. Excluded from consideration is Phase I, II and III monies, Schedule B salary, and teacher quality money. Benefits for all other employees shall be based upon the contracted salary or yearly salary based on letter of assignment. Benefits for part-time employees shall be prorated as determined by the average of full-time equivalency of the last five years of employment

The early retirement benefits are as follows:

- A. If the employee wishes to remain on the District's insurance policy, the amount of the benefit will be placed in a Health Care Savings Plan. This contribution will be made on behalf of the employee tax-free. The deposits will grow tax-free and are used at retirement tax-free for eligible medical expenses and premiums.
- B. If the employee waives the District's health insurance policy, the benefit will be placed in a special pay deferral plan (403(b)). The contribution will be made on behalf of the employee tax-deferred. The deposits grow tax-deferred and can be accessed by the retiree at any time. The withdrawals will be taxable at the time of withdrawal to the employee.

The employee must notify the Board on or before February 1st to receive the early retirement benefits. Depending upon the economic impact to the District, the Board may limit the number of employees allowed to take early retirement in any fiscal year. At June 30, 2010, there were two individuals receiving the benefit.

Compensated Absences

District employees accumulate vacation and compensatory hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as expenditures by the District until used or paid. The District's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2010 was \$30,844.

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 1, 2008			
	Interest Rates	Interest	Principal	Total
2011	3.00	\$ 99,155	\$ 310,000	\$ 409,155
2012	3.20	89,855	310,000	399,855
2013	3.40	79,935	325,000	404,935
2014	3.60	68,885	340,000	408,885
2015	3.70	56,645	355,000	411,645
2016-2018	3.7-4.0%	<u>88,740</u>	<u>1,115,000</u>	<u>1,203,740</u>
Totals		<u>\$ 483,215</u>	<u>\$ 2,755,000</u>	<u>\$ 3,238,215</u>

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of June 1, 2010			
	Interest Rates	Interest	Principal	Total
2011	2.00	\$ 68,975	\$ -	\$ 68,975
2012	2.00	116,892	135,000	251,892
2013	2.00	114,192	135,000	249,192
2014	2.00	111,492	135,000	246,492
2015	2.00	108,792	135,000	243,792
2016-2020	3.0-3.7%	482,695	715,000	1,197,695
2021-2025	3.9-4.15%	334,015	885,000	1,219,015
2026-2030	4.2-4.4%	<u>126,065</u>	<u>1,115,000</u>	<u>1,241,065</u>
Totals		<u>\$ 1,463,118</u>	<u>\$ 3,255,000</u>	<u>\$ 4,718,118</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,255,000 of bonds issued in June 2010. The bonds were issued for the purpose of financing a portion of the costs of a weight room and practice gym construction project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual interest payments on the bonds are expected to require approximately 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,718,118. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$503,281.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$256,002 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) Proceeds of the bonds shall be deposited into the Project Account, which is to be used to finance the construction project. Interest earned by the Project Account shall remain in the Project Account and be spent in accordance with the resolution and applicable provisions of the Code.
- c) All proceeds from the statewide sales, services and use tax shall be placed in the Revenue Account.
- d) Monies in the Revenue Account shall be disbursed to make deposits into the Sinking Account to pay the principal and interest requirements of the revenue bonds.
- e) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 5. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.30%, 4.10 % and 3.90% of their annual covered salary and the District was required to contribute 6.65%, 6.35% and 6.05% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$301,807, \$280,443 and \$249,276, respectively, equal to the required contributions for each year.

Note 6. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 97 active members, of which 5 were excluded from the valuation due to various reasons, and two retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 43,998
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	43,998
Contributions made	(2,770)
Increase in net OPEB obligation	41,228
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 41,228</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$2,770 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
06/30/10	\$ 43,998	6.3%	\$ 41,228

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$268,375, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$268,375. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.6 million and the ratio of UAAL to covered payroll was 5.8%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$309,998 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any,

based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 10. Unspent Authorized Budget

The District's unspent authorized budget, as calculated by the Iowa Department of Management was \$1,426,014 at June 30, 2010.

Note 11. Solvency Ratio

The District's solvency ratio at June 30, 2010 is calculated as follows:

$$\frac{\text{Unreserved General Fund Balance}}{\text{General Fund Revenues}} = \frac{\$ 621,744}{\$7,173,313} = 9\%$$

Note 12. Subsequent Event Construction Commitment

In June 2010, the District sold \$3,255,000 of revenue bonds to help finance the construction of a weight room and practice gym. The project is expected to begin during the summer of 2010 and be completed before June 30, 2011. As of June 30, 2010, the District had not entered into any contracts for this project and no work had begun on the project.

Note 13. New Governmental Accounting Standards Board (GASB) Statements

The District implemented the following statements during the year ended June 30, 2010:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to the District was to record a liability of \$41,228 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be \$268,375.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from

the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. This Statement had no effect to the District since the District had no intangible assets to be reported as of June 30, 2010.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in the Statement also addresses hedge accounting requirements. This Statement had no effect to the District. Furthermore, Iowa Code Chapter 128.10 does not authorize districts to invest in derivative instruments.
- GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this statement had no effect to the District.

As of June 30, 2010, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Issued March 2009, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance clarifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which government is bound to observe spending constraints.
- GASB Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides

financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, Accounting and Financial Reporting for Derivative Instruments, and applying the reporting provisions for interest-earning investment contracts of GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investments Pools.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Required Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 5,213,203	\$249,200	\$ 5,462,403	\$5,344,693	\$5,344,693	\$ 117,710
State sources	3,165,553	3,338	3,168,891	3,898,709	3,898,709	(729,818)
Federal sources	623,876	123,015	746,891	135,000	135,000	611,891
Total revenues	<u>9,002,632</u>	<u>375,553</u>	<u>9,378,185</u>	<u>9,378,402</u>	<u>9,378,402</u>	<u>(217)</u>
Expenditures/Expenses						
Instruction	5,392,733	-	5,392,733	5,930,000	5,930,000	537,267
Support services	2,450,778	6,440	2,457,218	3,361,555	3,361,555	904,337
Non-instructional programs	1,000	337,394	338,394	356,095	356,095	17,701
Other expenditures	2,243,938	-	2,243,938	3,028,652	3,028,652	784,714
Total expenditures/expenses	<u>10,088,449</u>	<u>343,834</u>	<u>10,432,283</u>	<u>12,676,302</u>	<u>12,676,302</u>	<u>2,244,019</u>
Excess (deficiency) of revenues over (under) expenditures/expenses Net other financing sources	<u>(1,085,817)</u> <u>3,268,783</u>	<u>31,719</u> <u>-</u>	<u>(1,054,098)</u> <u>3,268,783</u>	<u>(3,297,900)</u> <u>-</u>	<u>(3,297,900)</u> <u>-</u>	<u>2,243,802</u> <u>3,268,783</u>
Net change in fund balance Balance, beginning of year Balance, end of year	<u>2,182,966</u> <u>3,751,163</u> <u>\$ 5,934,129</u>	<u>31,719</u> <u>25,882</u> <u>\$ 57,601</u>	<u>2,214,685</u> <u>3,777,045</u> <u>\$ 5,991,730</u>	<u>(3,297,900)</u> <u>3,393,863</u> <u>\$ 95,963</u>	<u>(3,297,900)</u> <u>3,393,863</u> <u>\$ 95,963</u>	<u>5,512,585</u> <u>383,182</u> <u>\$5,895,767</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the certified budget during the year ended June 30, 2010.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$268,375	\$268,375	\$ -	\$4,628,758	5.8%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

Schedule 1

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>		
Assets				
Cash and pooled investments	\$ 128,738	\$240,564	\$ 41,997	\$411,299
Receivables				
Property tax				
Delinquent	-	1,919	5,401	7,320
Succeeding year	-	135,000	409,155	544,155
Accounts receivable	1,044	-	-	1,044
Total assets	<u>\$ 129,782</u>	<u>\$377,483</u>	<u>\$456,553</u>	<u>\$963,818</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,869	\$ 3,253	\$ -	\$ 6,122
Deferred revenue				
Succeeding year property tax	-	135,000	409,155	544,155
Total liabilities	2,869	138,253	409,155	550,277
Fund balances				
Unreserved fund balances	126,913	239,230	47,398	413,541
Total liabilities and fund balances	<u>\$ 129,782</u>	<u>\$377,483</u>	<u>\$456,553</u>	<u>\$963,818</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

Schedule 2

	<u>Special Revenue</u>			
	<u>Student</u>	<u>Management</u>	<u>Debt</u>	<u>Total</u>
	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	
Revenues				
Local sources				
Local taxes	\$ -	\$134,878	\$412,197	\$547,075
Other	356,458	312	-	356,770
State sources	-	58	162	220
Total revenues	<u>356,458</u>	<u>135,248</u>	<u>412,359</u>	<u>904,065</u>
Expenditures				
Current				
Instruction				
Regular	-	99,098	-	99,098
Other	<u>323,630</u>	<u>-</u>	<u>-</u>	<u>323,630</u>
Total instruction	<u>323,630</u>	<u>99,098</u>	<u>-</u>	<u>422,728</u>
Support services				
Administration	-	4,000	-	4,000
Operation and maintenance of plant	-	55,834	-	55,834
Transportation	<u>-</u>	<u>12,841</u>	<u>-</u>	<u>12,841</u>
Total support services	<u>-</u>	<u>72,675</u>	<u>-</u>	<u>72,675</u>
Non-instructional programs	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Other expenditures				
Long-term debt				
Principal	-	-	305,000	305,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>107,942</u>	<u>107,942</u>
Total other expenditures	<u>-</u>	<u>-</u>	<u>412,942</u>	<u>412,942</u>
Total expenditures	<u>323,630</u>	<u>172,773</u>	<u>412,942</u>	<u>909,345</u>
Excess (deficiency) of revenues over				
(under) expenditures	32,828	(37,525)	(583)	(5,280)
Other financing sources				
Interest from issuance of bonds	<u>-</u>	<u>-</u>	<u>2,299</u>	<u>2,299</u>
Net change in fund balances	32,828	(37,525)	1,716	(2,981)
Fund balances, beginning of year	<u>94,085</u>	<u>276,755</u>	<u>45,682</u>	<u>416,522</u>
Fund balances, end of year	<u>\$126,913</u>	<u>\$239,230</u>	<u>\$ 47,398</u>	<u>\$413,541</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2010

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Drama	\$ 5,189	\$ 1,917	\$ 3,978	\$ (1,412)	\$ 1,716
Drama club	8	-	-	(8)	-
Arts Angels	100	-	-	-	100
HS art	25	1,565	-	-	1,590
Speech/debate	-	-	284	284	-
HS vocal music	3,926	1,275	5,295	94	-
HS instrumental music	1,781	5,696	3,206	1,000	5,271
Show choir	2,093	13,805	14,018	2,406	4,286
Music travel	3,088	-	-	-	3,088
MS instrumental music	1,738	4,810	2,813	1,000	4,735
Musical	989	7,367	9,776	1,420	-
Swing show	1,677	3,633	627	(3,000)	1,683
Athletics	-	56,719	57,202	14,340	13,857
Athletic towels	90	-	158	68	-
Booster club donation	-	41,315	-	(41,315)	-
Golf fundraiser	2,485	5,651	6,074	-	2,062
Scoreboard Fund	94	16,049	5,297	700	11,546
Drill team	35	-	-	-	35
Boys basketball	-	-	1,194	1,194	-
Boys basketball camp	5,154	6,600	6,144	-	5,610
Football	-	-	9,916	9,916	-
Football fundraiser	1,036	27,698	25,189	(500)	3,045
MS football	209	-	10	-	199
Baseball	-	-	3,847	3,847	-
Baseball fundraiser	3,072	10,688	9,775	-	3,985
Boys track	-	-	2,046	2,046	-
Boys track fundraiser	275	792	1,176	241	132
Boys golf	-	-	561	561	-
Wrestling	-	-	3,053	3,053	-
Wrestling fundraiser	1,773	5,391	5,441	-	1,723
Girls basketball	-	-	50	50	-
Girls basketball camp	1,502	6,997	3,601	-	4,898
Volleyball	-	-	773	773	-
Volleyball fundraiser	1,779	6,016	3,951	(200)	3,644
Softball	-	-	3,279	3,279	-
Girls track	-	-	3,466	3,466	-

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2010

Schedule 3

Account	Balance, End of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Softball captains	\$ 5,251	\$ 7,021	\$ 9,115	\$ (1,960)	\$ 1,197
Girls track fundraiser	1,143	4,188	4,609	(241)	481
Girls golf	-	-	395	395	-
Cheerleaders	2,875	13,870	15,533	(1,212)	-
HS manufacturing	1,029	160	1,649	460	-
Industrial tech club	361	668	196	(459)	374
Calendar	18	996	440	-	574
Spanish club	3	241	-	-	244
High school fund	4,283	11,462	13,621	(540)	1,584
Ecology club	197	-	-	-	197
Elementary school fund	9,412	9,985	12,220	-	7,177
HS yearbook	7,049	9,421	7,721	-	8,749
HS student government	291	3,023	1,948	-	1,366
Journalism - The Bear	-	5,380	991	-	4,389
Middle school fund	6,220	25,509	22,698	-	9,031
Hoover IMC	538	5,928	5,975	-	491
MS IMC	362	1,987	1,937	-	412
HS media	520	90	-	-	610
MS pop fund	866	253	725	-	394
Family and consumer science	-	195	-	254	449
FFA	11,383	17,207	19,558	-	9,032
MS yearbook	500	2,237	2,406	-	331
National Honor Society	232	1,040	1,067	-	205
Central office	535	2,830	757	-	2,608
Economics club	384	-	-	-	384
Entrepreneurship	-	150	-	-	150
Ski club	1,565	-	-	-	1,565
Class of					
2008	5	-	-	-	5
2009	85	-	-	-	85
2010	342	10	-	-	352
2011	-	8,577	7,869	-	708
Hart Donation	500	-	-	-	500
Interest	-	15	-	-	15
Concessions	18	31	-	-	49
Totals	<u>\$ 94,085</u>	<u>\$ 356,458</u>	<u>\$ 323,630</u>	<u>\$ -</u>	<u>\$ 126,913</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2010

Schedule 4

	Balance, Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End of <u>Year</u>
Assets				
Cash	<u>\$3,091</u>	<u>\$ 218</u>	<u>\$ 59</u>	<u>\$3,250</u>
 Liabilities				
Due to others	<u>\$3,091</u>	<u>\$ 218</u>	<u>\$ 59</u>	<u>\$3,250</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Seven Years

Schedule 5

	Modified Accrual Basis						
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues							
Local sources							
Local Tax	\$ 4,398,381	\$ 4,134,684	\$3,802,558	\$3,530,153	\$3,207,158	\$3,046,484	\$2,786,886
Tuition	311,607	333,537	296,713	256,336	257,077	233,158	208,726
Other	503,215	645,394	513,804	480,679	452,359	375,715	268,002
Intermediate sources	-	-	-	-	-	4,944	13,706
State sources	3,165,553	3,626,646	3,487,950	3,366,620	3,138,714	3,079,953	2,914,952
Federal sources	623,876	232,285	161,439	103,837	101,670	110,254	140,136
Total revenues	<u>\$ 9,002,632</u>	<u>\$ 8,972,546</u>	<u>\$8,262,464</u>	<u>\$7,737,625</u>	<u>\$7,156,978</u>	<u>\$6,850,508</u>	<u>\$6,332,408</u>
Expenditures							
Current							
Instruction							
Regular	\$ 3,462,979	\$ 3,861,631	\$3,314,655	\$3,207,172	\$2,986,032	\$2,715,358	\$2,833,913
Special	838,044	823,485	792,696	638,373	695,927	607,288	637,515
Other	1,091,710	834,467	694,487	634,199	611,646	769,602	572,011
Support services							
Student	237,065	211,360	162,540	150,008	176,789	114,682	106,769
Instructional staff	176,563	171,126	186,690	169,815	168,855	225,587	124,357
Administration	939,060	853,682	834,217	788,900	700,320	637,241	597,660
Operation and maintenance of plant	669,541	621,572	608,323	607,274	631,269	608,420	569,145
Transportation	428,549	311,792	388,764	285,488	335,477	293,685	244,661
Non-instructional programs	1,000	1,891	-	-	-	-	-
Other expenditures							
Facilities acquisition	1,461,246	2,598,230	718,263	476,773	490,044	196,359	392,887
Long-term debt							
Principal	364,752	290,000	-	-	-	-	-
Interest and other charges	107,942	123,851	-	-	-	9,150	-
AEA flowthrough	309,998	268,952	253,937	244,724	222,290	219,163	216,427
Total expenditures	<u>\$10,088,449</u>	<u>\$10,972,039</u>	<u>\$7,954,572</u>	<u>\$7,202,726</u>	<u>\$7,018,649</u>	<u>\$6,396,535</u>	<u>\$6,295,345</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Schedule 6

Grantor/Program	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect			
U.S. Department of Agriculture			
Iowa Department of Education			
School Nutrition Cluster Programs			
School Breakfast Program	10.553	FY10	\$ 8,571
National School Lunch Program	10.555	FY10	114,444 *
Total Department of Agriculture			<u>123,015</u>
U.S. Department of Education			
Iowa Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY10	33,076
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	10,950
			44,026
Safe and Drug-free Schools and Communities-State Grants	84.186	FY10	1,517
Improving Teacher Quality State Grants	84.367	FY10	19,804
Grants for State Assessments and Related Activities	84.369	FY10	4,986
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	41,694 **
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	349,058
Total Iowa Department of Education			<u>461,085</u>
Grant Wood Area Education Agency			
Special Education-Grants to States	84.027	FY10	39,275 **
Career and Technical Education -Basic Grants to States	84.048	FY10	3,993
Total Area Education Agency			<u>43,268</u>
Total Department of Education			504,353
Total federal awards			<u>\$ 627,368</u>

* Include \$26,536 of non-cash awards

** Total for Special Education Cluster (IDEA) is \$80,969

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the West Branch Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite3
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education
West Branch Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Branch Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 4, 2011. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered West Branch Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of West Branch Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of West Branch Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified a certain deficiency in internal control over financial reporting I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be

prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Branch Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Branch Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit West Branch Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Branch Community School District and other parties to whom West Branch Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the West Branch Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
February 4, 2011

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite 3
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education
West Branch Community School District

Compliance

I have audited the compliance of West Branch Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. West Branch Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Branch Community School District's management. My responsibility is to express an opinion on West Branch Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Branch Community School District's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on West Branch Community School District's compliance with those requirements.

In my opinion, West Branch Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of West Branch Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning

and performing my audit, I considered West Branch Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of West Branch Community School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over compliance I consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of the control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

West Branch Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit West Branch Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Branch Community School District and other parties to whom West Branch Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 4, 2011

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part I. Summary of the Independent Auditor's Results

1. Unqualified opinions were issued on the financial statements.
2. A material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
3. The audit did not disclose any non-compliance which is material to the financial statements.
4. A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - CFDA Number 84.394 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. West Branch Community School District did not qualify as a low-risk auditee.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part II. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

II-A-10 Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the following duties were performed by the same individual: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY

CFDA Number 10.553 School Breakfast Program
CFDA Number 10.555 National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State
Grants, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the following duties were performed by the same individual: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part IV. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except as follows:

The amount listed in the resolution naming depositories approved by the District for Community State Bank was exceeded during the year ended June 30, 2010.

Recommendation - The District should ensure that the amount approved in the resolution naming depositories is sufficient to cover all anticipated deposits in each depository and that the amount is amended, if needed, before deposits are allowed to exceed the approved amount.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Response - We increased the maximum depository limit for Community State Bank in our resolution naming depositories approved by the Board for the year ending June 30, 2011 and will be more attentive of this in the future.

Conclusion - Response accepted.

10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.
11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$ 1,871,054
Revenues		
Statewide sales, services and use tax revenue	\$ 503,281	
Interest earned	11,403	
Premium on bond issuance	9,400	
Debt issuance for school infrastructure	<u>3,255,000</u>	3,779,084
Expenditures/transfers out		
School infrastructure		
Buildings and improvements	\$(1,279,347)	
Equipment	(159,710)	
Debt service for school infrastructure		
Revenue debt	<u>(59,752)</u>	<u>(1,498,809)</u>
Ending balance		<u>\$ 4,151,329</u>

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable <u>Valuation</u>	Property Tax <u>Dollars</u>
Physical plant and equipment levy	\$ 1.92240	\$ 503,281

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2010

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Corrective Action Plan for Federal Audit Findings
For the Year Ended June 30, 2010

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person, Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
III-A-10	Segregation of Duties	District will investigate and implement alternative procedures to increase segregation of duties.	Angie Walter Business Manager (319)643-7213	6/30/2011

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Summary Schedule of Prior Federal Audit Findings
For the Year Ended June 30, 2010

The district was not required to have a Single Audit in compliance with OMB Circular A-133 for the prior year (year ended June 30, 2009) therefore, there were no prior audit findings to report.